

WORKING MEN'S CLUB & INSTITUTE UNION LIMITED

CLUB MANAGEMENT DIPLOMA

EXAMINATION PAPER

CLUB ACCOUNTANCY

24 April 2010

Time allowed - 3 hours

Examiner - William E Robinson FCA

CANDIDATES PLEASE NOTE

Do not write your name on any of the papers. The papers have already been numbered for identification purposes.

Questions may be attempted in any order.

You should attempt to answer Questions 1 and 2 plus any three of the questions 3 to 7.

Write on one side of the paper only. Leave the left hand and the right hand margins free, except to identify the number of the question being attempted.

Write legibly - your answers must be capable of being understood.

Candidates are permitted to use pocket calculators.

Rough notes should be made on the working paper provided. Students should not introduce their own note paper. Continuation paper is available from the supervisor, if required.

Please ensure that the working papers are secured prior to handing them in.

Candidates may retain the question paper after the examination.

NO REFERENCE MUST BE MADE BY CANDIDATES TO ANY NOTES OR TEXT BOOKS DURING THE EXAMINATION.

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QUESTION 1

You are given the following ledger balances taken from the General Ledger of the AA Social Club Limited for the year ended 31 December 2009.

Bingo income	2,419
Cleaning materials costs	4,914
Cost of sales (beers etc purchased)	159,885
Entertainment costs	17,765
Gaming machines income	30,205
Investment income	3,650
Heating and lighting costs	8,487
Other costs	161
Professional fees	5,800
Printing, postages and stationery costs	2,702
Raffles and draws income	12,647
Rates and water rates costs	15,300
Repairs and renewals costs	8,423
Sales of beers etc income	355,300
Snooker and pool income	3,157
Subscription income	1,582
Telephone costs	1,168
Wages costs	71,060

You are required to:-

1 - Prepare a Revenue Account for the year ended 31 December 2009 and calculate the Profit or Loss for the year. In doing so you are required to divide up the Revenue Account into the following sections:-

- A = Gross profit from bar sales
- B = The total of the clubs other income
- C = The total of the clubs other costs
- D = The final Profit or Loss

(This is the formula- $A+B-C=D$)

2 - Calculate the following:-

$$\text{Gross profit percentage} = \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

$$\text{Wages percentage} = \frac{\text{Wages} \times 100}{\text{Sales}}$$

$$\text{Entertainments percentage} = \frac{\text{Entertainments} \times 100}{\text{Sales}}$$

3 - From 2 above calculate in terms of percentages:-

Gross profit	?
Less: Wages	?
Entertainments	?
Profit before other income and expenditure	<u> ?</u>

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ACCOUNTANCY APRIL 2010

QUESTION 2

A club pays into the bank every Monday morning all of its cash receipts. It also makes all of its payments by cheque. On Saturday 1 April the Bank Cash Book showed a balance brought down from March as a positive bank balance (debit balance) of £1,760.

During the month of April the following transactions took place:-

3 April - Paid I Printem account for stationery of £380 - cheque number 424.

3 April - Banked cash from week ended Sunday 2 April totalling £5,165.

7 April - Paid I Countem, the club stocktaker a cheque for £90 - cheque number 425.

8 April - Paid S Washemup Ltd, the sum of £175 in respect of the March purchases of glassware - cheque number 426.

10 April - Banked cash from week ended Sunday 9 April totalling £4,750.

16 April - Paid for bar stocks purchased from Big Brew Ltd the sum of £7,250 - cheque number 427.

17 April - Banked cash from week ended 16 April totalling £4,895.

23 April - Paid loan repayment to Big Brew Ltd amounting to £2,350 - cheque number 428.

26 April - Paid out £2,350 to Tossitaway Ltd for club entertainment - cheque number 429.

On 5 May a bank statement was received showing the following entries:-

<u>DATE</u>	<u>DETAILS</u>	<u>DEBIT</u>	<u>CREDIT</u>	<u>BALANCE</u>
1 April	Balance			1760
7 April	Counter credit		5165	6925
13 April	424	380		6545
14 April	425	90		6455
14 April	426	175		6280
15 April	Counter credit		4750	11030
16 April	427	7250		3780
20 April	Credit transfer - HMC& E VAT refund		375	4155
21 April	Counter credit		4895	9050
26 April	DD - Local authority Business Rates	1350		7700
30 April	429	2350		5350

You are required to:-

A) Write up and balance the Bank Cash Book for the month of April and make the necessary entries to correct the Bank Cash Book after receipt of the Bank Statement.

B) Prepare a Bank Reconciliation Statement at 30 April.

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QUESTION 3

The brewery offer the club a promotional discount on a barrel of beer (288 pints) of £75/barrel. The committee decide to pass on 50% of the discount to the members by reducing the price of beer. You are required to calculate the following:-

- a) The amount of discount offered by the brewery calculated per pint of beer.
- b) The amount that can be reduced off the retail price of a pint of beer to give members 50% of the discount (rounded down to the nearest whole penny).

NOTE:- The retail price includes VAT at 17.5%.

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QUESTION 4

The club committee decide to book entertainers with the hope of doubling the retail bar sales on a Thursday evening from £940 to £1,880 (including VAT). The entertainers charge £400 for the night and additional costs are incurred with 3 extra bar staff at £7.00 per hour for 4 hours work, and advertising costs of £20.

The club normally expects a gross profit percentage return of 45% and without the entertainment other expenses of £324 achieve a net profit before tax of £32.

You are required to prepare the Revenue Account for the Thursday night to show:-

- a) How a profit of £32 has been achieved on a normal night without the entertainment,
- b) The amount of profit or loss as a result of providing the entertainment.

NOTE:- The rate of VAT is 17.5% and the VAT fraction is $\frac{7}{47}$.

15 MARKS

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QUESTION 5

The clubs stocktaker has provided the following Bar Trading Account as part of his stock report for the 5 week period ended 31 December 2009.

You are concerned as the Gross Profit shown is only 20.19%.

You discover that the stocktaker uses the brewery wholesale price list and does not recognise discounts which have been negotiated.

You are required to use the following information and to re-write the Bar Trading Account to show the correct Gross Profit. You are also required to re-calculate the Gross Profit percentage.

Bar Trading Account

Bar takings (excluding VAT)	44776.00
LESS:	
Stocks consumed at cost per report	35735.04
Gross Profit	<u>9040.96</u>
Gross profit %	<u>20.19</u>

Extract from detailed stock report:-

	<u>Cost per</u>	<u>Stocks consumed</u>	
	<u>Barrel</u>	<u>Quantity</u>	<u>Value</u>
		<u>Gallons</u>	
Best bitter	311.04	720	6220.80
Smooth	302.40	900	7560.00
Lager	345.60	1188	11404.80
Ordinary	296.64	756	6229.44
Odd beer	288.00	540	4320.00
			<u>35735.04</u>

Discounts

	<u>Disc per</u>
	<u>Barrel</u>
Best bitter	129.60
Smooth	115.20
Lager	132.48
Ordinary	120.96
Odd beer	115.20

NOTE: there are 288 pints in one barrel

15 MARKS

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QUESTION 6

Using the following 'look up' chart you are required

(a) To calculate the retail prices of the following drinks (round up to two decimal places)

Gross profit margin	Factor	Gross profit margin	Factor
33%	1.7537	39%	1.9262
34%	1.7803	40%	1.9583
35%	1.8077	41%	1.9915
36%	1.8359	42%	2.0259
37%	1.8651	43%	2.0614
38%	1.8952	44%	2.0982

[How it works-- If the cost price per unit is £0.55 excluding VAT and a selling price including VAT is required to give a 40% gross profit margin then----£0.55 multiplied by 1.9583 = £ 1.077 or £ 1.08 is the selling price.]

1) One pint of lager-- costs £311.04 per barrel (excluding VAT). Gross profit margin required of 38%.

2) One pint of best bitter-- costs £319.68 per barrel (excluding VAT). Gross profit margin required of 35%.

3) One glass of vodka and tomato-- where a full bottle of vodka costs £12.48 (excluding VAT) and a small bottle of tomato juice costs £0.25 (excluding VAT). Gross profit margin required of 41%. (Note-- one glass to contain 25ml of vodka and a full bottle of vodka contains 0.7litres).

4) One bottle of vodka alcopops where a case of 24 costs £24.00 (excluding VAT). Gross margin required of 44%.

5) Calculate the retail value of a round of drinks of -- one pint of lager; one bottle of vodka alcopop; and one vodka and tomato drink.

NOTE:

There are 288 pints in 1 barrel.

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QUESTION 7

A clubs Balance Sheet at 31 December is shown below. You are required to give four suggestions which would improve the overall state of affairs and to re-state the Balance Sheet following your advice.

BALANCE SHEET AT 31 DECEMBER

FIXED ASSETS

Property, fixtures and fittings	230,000
Secure guaranteed investment - 10% return	500
	<u>230,500</u>

CURRENT ASSETS

Stocks	20,000
Debtors	1,000
Bank deposit account - 2% return	22,000
Cash in hand	25,000
	<u>68,000</u>

CURRENT LIABILITIES

Bank overdraft	(5,000)
Trade creditors -1 months trade	(8,000)
Sundry creditors	(2,000)
	<u>(15,000)</u>

NET CURRENT ASSETS

53,000
<u>283,500</u>

CAPITAL AND RESERVES

Share capital	500
Revenue reserves	283,000
	<u>283,500</u>

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